

LANSING SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
**(with required supplementary and additional
supplementary information)**

JUNE 30, 2016

CONTENTS

	<u>Page</u>
Independent auditor's report	5 - 7
Management's Discussion and Analysis	8 - 16
Basic financial statements	17
Government-wide financial statements	
Statement of net position.....	18
Statement of activities	19
Fund financial statements	
Balance sheet - governmental funds	20 - 21
Statement of revenue, expenditures and changes in fund balances - governmental funds.....	22 - 23
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	24
Fiduciary funds	
Statement of fiduciary net position	25
Statement of changes in fiduciary net position	26
Notes to financial statements.....	27 - 53
Required supplementary information	54
Budgetary comparison schedule - general fund.....	55
Schedule of the reporting unit's proportionate share of the net pension liability.....	56
Schedule of the reporting unit's contributions	57
Notes to required supplementary information	58

CONTENTS

	<u>Page</u>
Additional supplementary information	59
Nonmajor governmental fund types	
Combining balance sheet	60
Combining statement of revenues, expenditures, and changes in fund balances	61
Nonmajor debt service funds	
Combining balance sheet	62
Combining statement of revenues, expenditures and changes in fund balances	63
Capital projects funds	
Combining balance sheet	64
Combining statement of revenues, expenditures and changes in fund balances.....	65
Fiduciary funds	
Statement of revenues, expenditures and net position - private purpose trust fund	66
Statement of cash receipts, disbursements and liabilities by school - agency fund	67
Long-term debt	
Bonded debt	68 - 72
Schedule of interest bearing accounts.....	73

CONTENTS

	<u>Page</u>
Schedule of expenditures of federal awards	74 - 78
Notes to schedule of expenditures of federal awards	79
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	80 - 81
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.....	82 - 83
Schedule of findings and questioned costs	84
Schedule of prior year findings	85

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Lansing School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lansing School District basic financial statements. The additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The additional supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of Lansing School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lansing School District's internal control over financial reporting and compliance.

Maney Costeiran PC

October 12, 2016

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

This section of the Lansing School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

District-Wide Financial Statements

The first two statements are district-wide financial statements that provide short-term and long-term financial information about the District's overall financial status. These statements are required by generally accepted accounting principles (GAAP) as described in the Government Accounting Standards Board (GASB). The statements are prepared using the full accrual basis of accounting and more closely represent financial statements presented by business and industry. All of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded and other long term debt of the District.

Fund Financial Statements

The fund financial statements are comparable to financial statements for the previous year. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The formats of the fund statements comply with the requirements of the Michigan Department of Education's "Accounting Manual". In the state of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as another financing source. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

Summary of Net Position

The following schedule summarizes the net position for fiscal years ended June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
Assets:		
Current and other assets	\$ 110,918,668	\$ 33,988,517
Capital assets	80,442,837	87,420,641
Total assets	<u>191,361,505</u>	<u>121,409,158</u>
Deferred outflows of resources	<u>25,704,302</u>	<u>23,558,716</u>
Liabilities:		
Long-term outstanding liabilities	108,543,433	48,805,801
Net pension liability	207,334,790	197,731,925
Other liabilities	<u>20,253,065</u>	<u>14,307,637</u>
Total liabilities	<u>336,131,288</u>	<u>260,845,363</u>
Deferred inflows of resources	<u>15,439,894</u>	<u>21,871,186</u>
Net position:		
Net investment in capital assets	41,975,949	44,662,860
Restricted for debt service	5,895,647	5,283,199
Restricted for sinking fund	793,678	454,050
Unrestricted	<u>(183,170,649)</u>	<u>(188,148,784)</u>
Total net position	<u>\$ (134,505,375)</u>	<u>\$ (137,748,675)</u>

Analysis of Financial Position

During the fiscal year ended June 30, 2016, the District's net position increased by \$3,243,300. A few of the more significant factors affecting net position during the year are discussed below:

1. Depreciation Expense

GASB Statement 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net position.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the assets less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2016, \$4,450,220 was recorded for depreciation expense.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2016, \$3,736,072 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets (\$3,736,072), assets disposed of (\$14,468,377) and reclassified during the fiscal year, and the current year's depreciation (\$4,450,220) is a net decrease to capital assets in the amount of \$6,977,804 for the fiscal year ended June 30, 2016. The net decrease in capital assets is due mainly to a loss recognized on the sale of Eastern High School.

3. Heightened Fiscal Responsibility

The District's fund balance is a priority of the Board of Education and the Administration. As such, we implemented earlier spending deadlines, eliminated/significantly reduced overtime and additional hours and we had a hiring freeze on non-instructional positions/openings as a result of staff vacancies.

Results of Operations

For the fiscal years ended June 30, 2016 and 2015, the results of operations, on a District-wide basis, were:

	Year ended June 30, 2016		Year ended June 30, 2015	
General revenues:				
Property taxes	\$ 29,543,783	18.7%	\$ 29,752,562	17.2%
Investment earnings	179,000	0.1%	151,222	0.1%
State sources	70,132,171	44.3%	72,845,941	42.0%
Gain on sale of assets	-	0.0%	1,040,421	0.6%
IISD special education allocation	15,999,595	10.1%	16,709,300	9.6%
Other	1,957,188	1.2%	2,772,341	1.6%
Total general revenues	117,811,737	74.4%	123,271,787	71.1%
Program revenues:				
Charges for services	1,137,253	0.7%	878,164	0.5%
Operating grants	39,415,770	24.9%	49,281,255	28.4%
Total revenues	158,364,760	100.0%	173,431,206	100.0%
Expenses:				
Instruction	77,548,042	50.0%	86,399,531	53.2%
Support services	63,011,973	40.6%	65,337,266	40.2%
Community services	850,731	0.5%	639,919	0.4%
Food services	7,094,151	4.6%	7,293,370	4.5%
Interest on long-term debt	1,462,015	0.9%	1,751,384	1.1%
Loss on sale of assets	4,120,192	2.7%	-	0.0%
Unallocated depreciation expense	1,034,356	0.7%	1,100,080	0.7%
Total expenses	155,121,460	100.0%	162,521,550	100.0%
Change in net position	\$ 3,243,300		\$ 10,909,656	

Certain 2015 amounts have been reclassified to conform with the 2016 financial statement presentation.

**Lansing School District
 Management’s Discussion and Analysis
 For the Fiscal Year Ended June 30, 2016**

Analysis of Significant Revenue and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-principal resident exempt property and 6 mills on commercial personal property, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the tax levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of increase in the prior year’s Consumer Price Index or 5%, whichever is less. At the time the property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is one half of the property’s market value.

For the 2015-2016 fiscal year, the District levied \$21,030,363 in non-principal property taxes. This amount represented an increase of 0.3% from the prior year.

The following table summarizes the non-principal resident exempt property tax levies for operations for the past five years:

Fiscal year	Non-PRE tax levy	% Increase (decrease) from prior year
2015-2016	\$ 21,030,363	0.3%
2014-2015	20,965,139	3.5%
2013-2014	20,246,638	2.0%
2012-2013	19,855,704	-5.7%
2011-2012	21,063,951	-11.6%

2. State Sources

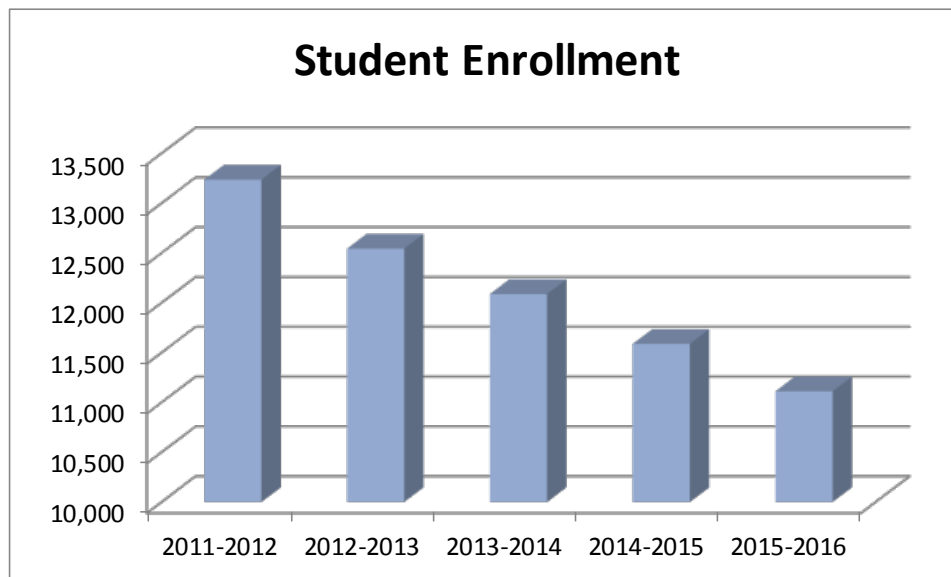
The majority of the state sources of revenue is comprised of the per student foundation allowance. The State of Michigan funds school districts based on a blended student enrollment. The blended enrollment consists of 90% of the current year’s fall count and 10% of the prior fiscal year’s spring count. For the 2016 fiscal year, the District received \$7,550, which represented a \$132 change per pupil from the amount received for the 2014-2015 fiscal year of \$7,418.

**Lansing School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

3. Student Enrollment

Student enrollment has declined by 16% since 2011-2012.

Fiscal year	Actual blended student FTE
2015-2016	11,112
2014-2015	11,587
2013-2014	12,088
2012-2013	12,544
2011-2012	13,236



4. Operating Grants

The District receives a significant portion of its operating revenue from categorical grants. For the fiscal year ended June 30, 2016, federal, state, and other grants accounted for \$39,497,925. This amount was a decrease from the total grant sources of \$49,281,255 received for the June 30, 2015 fiscal year.

5. County Special Education Allocation

For the fiscal year ended June 30, 2016, the District received a net allocation from the Ingham Intermediate School District in the amount of \$16,627,381 to assist with the education of students with special needs. This amount represents a decrease of \$501,889 as compared to the allocation of \$17,129,270 received during the 2015 fiscal year.

**Lansing School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

6. Interest Earnings

The District received interest on its investment of short-term available cash in the amount of \$179,000 for the fiscal year ended June 30, 2016. Interest revenues are more than the prior fiscal year by \$27,778.

7. Comparative Expenditures

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances is shown below:

	2015 - 2016 fiscal year	2014 - 2015 fiscal year	Increase (decrease)
Instruction	\$ 80,025,310	\$ 84,768,690	\$ (4,743,380)
Supporting services	63,756,532	64,251,461	(494,929)
Food service activities	7,449,069	7,446,455	2,614
Community service activities	852,069	635,322	216,747
Capital outlay	4,190,438	4,929,092	(738,654)
Debt service	5,778,850	5,371,354	407,496
Total expenditures	<u>\$ 162,052,268</u>	<u>\$ 167,402,374</u>	<u>\$ (5,350,106)</u>

8. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July 1. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2015-2016 fiscal year, the District amended the general fund budget three times, with the Board adopting the final changes in June 2016.

The following schedule shows a comparison of the original general fund budget, the final amended budget, and actual totals from operations.

	Original budget	Final budget	Actual	Variance with final budget	% Variance
Total revenues	<u>\$150,734,350</u>	<u>\$151,549,000</u>	<u>\$148,081,519</u>	<u>\$ (3,467,481)</u>	(7.3%)
Expenditures:					
Instruction	\$ 82,657,428	\$ 82,400,000	\$ 80,025,310	\$ 2,374,690	2.9%
Supporting services	67,378,807	68,544,000	63,756,532	4,787,468	7.0%
Community services	718,323	960,000	852,069	107,931	11.2%
Total expenditures	<u>\$150,754,558</u>	<u>\$151,904,000</u>	<u>\$144,633,911</u>	<u>\$ 7,270,089</u>	4.8%
Other financing sources (uses)	<u>\$ 129,099</u>	<u>\$ 955,000</u>	<u>\$ 1,017,069</u>	<u>\$ 62,069</u>	6.5%

**Lansing School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

The District’s budgeting process budgets for all grants at the awarded amounts. This budgeting process will always result in a variance between the grant amount awarded and the actual amount spent. Approximately \$4 million of the budget variance is accounted for by the variance in grants awarded verses grants expended.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2015-2016 fiscal year, the District had invested approximately \$177 million in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of approximately \$7 million over the prior fiscal year. Depreciation expense for the year amounted to approximately \$4.4 million, bringing the accumulated depreciation to approximately \$96 million as of June 30, 2016.

	Cost	Accumulated depreciation	2016 Net book value	2015 Net book value
Land	\$ 3,828,391	\$ -	\$ 3,828,391	\$ 4,196,882
Construction in progress	-	-	-	331,536
Land improvements	19,737,266	12,660,135	7,077,131	7,970,697
Buildings and additions	136,869,269	70,679,924	66,189,345	71,455,343
Machinery and equipment	14,789,310	12,082,292	2,707,018	3,171,692
Transportation equipment	1,452,919	811,967	640,952	294,491
	<u>\$ 176,677,155</u>	<u>\$ 96,234,318</u>	<u>\$ 80,442,837</u>	<u>\$ 87,420,641</u>

Long-term Debt

At June 30, 2016, the District had approximately \$105 million in bonded debt outstanding. Total outstanding debt increased as the District issued new bonds in the current year.

Factors Bearing on the District’s Future

At the time these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- The growth of the Fund Balance continues to be a priority of the Board of Education and the Administration. Districts are also recommended to have a fund balance of 10% - 15% of operating expenditures. Per Michigan School Business Officials, this level of fund balance is necessary to avoid borrowing during the two month period between the August and October State Aid payments. Additionally, it is important to have a sufficient fund balance to allow a district to avoid drastic changes in educational programs and/or employee layoffs during the school year as a result of low enrollment or as a result of reduced funding/mid-year cuts in State Funding.

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

- Fiscal management is a priority for the district and the Board which has prompted the implementation of an additional budget amendment process in the spring for 2015-16 school year.
- The District continues to address a comprehensive plan for ongoing budget needs. Budget development will continue to be driven by student enrollment and the instructional needs of our student population.
- The District implemented a new Student Information System, Synergy. This system has modernized the District's access to student data and provided parents with a robust parent portal. The Synergy system provides users with powerful, built-in query and reporting tools ensuring that district administrators will have the information they need to make informed decisions. Meeting the requirements for state reporting will be simplified and ensure accurate results. Communication between parents and schools is strengthened and parents have access to real-time grades and attendance plus a built-in communication tool directly from their portal. All of these features plus many more help the District meet its mission of providing educational excellence in a safe and nurturing environment for all students.
- Since 2012, the District has addressed surplus properties aggressively: Bingham Elementary School was sold to Sparrow Health System; Moore's Park Elementary was sold to PSO Labs; the sale of a parking lot adjacent to the Administration Building was sold; Northwestern Elementary, closed for several years, was demolished; a significant portion of the massive Hill Center was leased to the Lansing Police Department; two schools that were closed in the 2012 restructuring, Elmhurst and Wainwright. Elmhurst has been converted into a Community Learning/Welcome Center; Wainwright has a dual purpose as a professional learning center and houses the Office of School Culture. Eastern High School and 16.8 acres surrounding the building were sold to the Sparrow Health System in 2016. The district continues to analyze ways in which to de-acquisition surplus real estate, a Board Facilities Committee was formed in 2016 to address both bond projects and real estate recommendations.
- A restructuring of the school District occurred in 2012 under the leadership of Superintendent Yvonne Caamal Canul. The restructuring included closing four buildings and reconfiguring the entire instructional program to better focus on student achievement. The school buildings and the instructional programs have been reconfigured into twelve PreK-3 buildings that will emphasize all students learning to read at grade level before they exit the PreK-3 building; five 4-6 buildings that will emphasize reading to learn so as to prepare students for success in high school. Lansing high schools consist of grades 7-12 which increases a sense of belonging and without the traditional transition issues that have occurred between middle school and high school. In addition to the six new magnet schools, Lansing offers the following K-8 academies: Lansing STEM, Pleasant View Performing Arts, Wexford Montessori, and Gardner Law and Government. These options allow for students and families to explore in more depth a particular area of interest. Woodcreek Achievement Center was initiated in 2012-13 to provide a blended learning environment for credit recovery and for students to continue their education when they have been suspended from their home school. The district's graduation rate rose nearly 6% in 2015.
- In August of 2015 the District was awarded a School Improvement Grant (SIG) from the Michigan Department of Education. Our award for the 2015-2016 school year was \$1.45 million dollars. This grant provides targeted instructional support to our PK, K, and 1st grade classrooms in four buildings across the District: Cavanaugh, Willow, Riddle, and REO. In addition, the grant covers the costs of an increase in instructional technology and extended year programming.

Lansing School District Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2016

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- In May of 2016, the Lansing community passed a \$120 million bond proposal, the Lansing Pathway Promise. The bond projects are focused on upgrading and renovating facilities according to an educational plan that provides students with three distinct pathways towards career and college readiness: Biotechnologies, International Baccalaureate; Visual and Performing Arts and New Tech; and, STEM/STEAM, Skilled Trades, Advanced Manufacturing. Each pathway enlists the support of the business and industry community in Lansing. At the end of the pathway, a student who graduates from the Lansing School District is eligible for a Promise or Hope Scholarship to attend Michigan State University, Lansing Community College, or Olivet College. The district will implement "open choice" in school year 2017-18 so that where a student lives does not dictate the school they can attend. The Lansing Pathway Promise was overwhelmingly supported with a 62% voter approval. With 27 bond projects in the plan, every corner of the district will benefit in some way from taxpayer support.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Chief of Operations office, Lansing School District, 519 W. Kalamazoo Street, Lansing, Michigan, 48933.

BASIC FINANCIAL STATEMENTS

**LANSING SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental activities
ASSETS:	
Cash and cash equivalents	\$ 20,681,689
Receivables:	
Accounts receivable	656,100
Intergovernmental	16,747,159
Inventories	167,586
Cash and cash equivalents - restricted QZAB debt service	5,259,723
Cash and cash equivalents - restricted for capital projects	65,070,976
Prepays	2,335,435
Capital assets not being depreciated	3,828,391
Capital assets, net of accumulated depreciation	76,614,446
TOTAL ASSETS	191,361,505
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	684,271
Related to pensions	25,020,031
TOTAL DEFERRED OUTFLOWS OF RESOURCES	25,704,302
LIABILITIES:	
Accounts payable	2,557,529
Accrued salaries and related items	11,500,234
Accrued retirement	3,937,910
Accrued interest	257,590
Unearned revenue	1,999,802
Noncurrent liabilities:	
Due within one year	12,775,217
Due in more than one year	95,768,216
Net pension liability	207,334,790
TOTAL LIABILITIES	336,131,288
DEFERRED INFLOWS OF RESOURCES:	
Related to pensions	9,795,984
Related to state aid funding for pension	5,643,910
TOTAL DEFERRED INFLOWS OF RESOURCES	15,439,894
NET POSITION:	
Net investment in capital assets	41,975,949
Restricted for debt service	5,895,647
Restricted for capital projects - sinking fund	793,678
Unrestricted	(183,170,649)
TOTAL NET POSITION	\$ (134,505,375)

**LANSING SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net position
Governmental activities:				
Instruction	\$ 77,548,042	\$ 612,969	\$ 16,385,509	\$ (60,549,564)
Support services	63,011,973	105,152	14,825,887	(48,080,934)
Community services	850,731	228,504	740,850	118,623
Food services	7,094,151	190,628	7,463,524	560,001
Interest on long-term debt	1,462,015	-	-	(1,462,015)
Loss on sale of assets	4,120,192	-	-	(4,120,192)
Unallocated depreciation	1,034,356	-	-	(1,034,356)
Total governmental activities	<u>\$ 155,121,460</u>	<u>\$ 1,137,253</u>	<u>\$ 39,415,770</u>	<u>(114,568,437)</u>
General revenues:				
Property taxes, levied for general purposes				20,580,299
Property taxes, levied for debt service				5,550,599
Property taxes, levied for sinking fund				3,412,885
Investment earnings				179,000
State sources - unrestricted				70,132,171
Intermediate sources				15,999,595
Other				1,957,188
Total general revenues				<u>117,811,737</u>
CHANGE IN NET POSITION				3,243,300
NET POSITION , beginning of year				<u>(137,748,675)</u>
NET POSITION , end of year				<u>\$ (134,505,375)</u>

**LANSING SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General fund</u>	<u>2016 Capital Projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS:				
Cash and cash equivalents	\$ 19,517,872	\$ -	\$ 1,163,817	\$ 20,681,689
Cash and cash equivalents - restricted QZAB debt service	-	-	5,259,723	5,259,723
Cash and cash equivalents - restricted for capital projects	-	65,070,976	-	65,070,976
Receivables:				
Accounts receivable	654,038	-	2,062	656,100
Intergovernmental	16,386,292	-	360,867	16,747,159
Due from other funds	-	-	6,181,991	6,181,991
Inventories	134,426	-	33,160	167,586
Prepays	2,335,435	-	-	2,335,435
TOTAL ASSETS	<u>\$ 39,028,063</u>	<u>\$ 65,070,976</u>	<u>\$ 13,001,620</u>	<u>\$ 117,100,659</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,990,546	\$ 331,644	\$ 235,339	\$ 2,557,529
Accrued salaries and related items	11,444,816	-	55,418	11,500,234
Accrued retirement	3,925,799	-	12,111	3,937,910
Due to other funds	5,621,935	2,585	557,471	6,181,991
Unearned revenue	1,999,802	-	-	1,999,802
TOTAL LIABILITIES	<u>24,982,898</u>	<u>334,229</u>	<u>860,339</u>	<u>26,177,466</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	<u>151,319</u>	<u>-</u>	<u>-</u>	<u>151,319</u>

See notes to the financial statements

	<u>General fund</u>	<u>2016 Capital Projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
FUND BALANCES:				
Nonspendable:				
Inventories	\$ 134,426	\$ -	\$ 33,160	\$ 167,586
Prepays	2,335,435	-	-	2,335,435
Restricted:				
Debt service	-	-	6,153,237	6,153,237
Capital projects	-	64,736,747	793,678	65,530,425
Food service	-	-	752,087	752,087
Assigned:				
Capital projects	-	-	4,409,119	4,409,119
Unassigned:				
General fund	11,423,985	-	-	11,423,985
TOTAL FUND BALANCES	<u>13,893,846</u>	<u>64,736,747</u>	<u>12,141,281</u>	<u>90,771,874</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 39,028,063</u>	<u>\$ 65,070,976</u>	<u>\$ 13,001,620</u>	<u>\$ 117,100,659</u>
Total governmental fund balances				\$ 90,771,874
Amounts reported for governmental activities in the statement of net position are different because:				
Deferred charge on refunding, net of amortization				684,271
Deferred outflows of resources - related to pensions				25,020,031
Deferred inflows of resources - related to pensions				(15,439,894)
Capital assets used in governmental activities are not financial resources and are not reported in the funds:				
Capital assets			\$ 176,677,155	
Accumulated depreciation			<u>(96,234,318)</u>	
				80,442,837
Long-term liabilities are not due and payable in the current period and are not reported in the funds:				
Bonds payable				(104,572,177)
Notes payable				(555,168)
Compensated absences, termination benefits, and self-insured workers' compensation plan				(3,416,088)
Accrued interest is not included as a liability in governmental funds, it is recorded when paid				(257,590)
Unavailable revenue - at June 30th expected to be collected after September 1st				151,319
Net pension liability				<u>(207,334,790)</u>
Net position of governmental activities				<u>\$ (134,505,375)</u>

See notes to the financial statements

**LANSING SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	<u>General fund</u>	<u>2016 Capital Projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ 21,220,429	\$ -	\$ 9,354,059	\$ 30,574,488
Investment earnings	18,641	1,428	158,931	179,000
Food sales	-	-	176,902	176,902
Other	2,494,561	-	13,726	2,508,287
Total local sources	23,733,631	1,428	9,703,618	33,438,677
State sources	88,262,641	-	244,433	88,507,074
Federal sources	19,457,866	-	7,221,911	26,679,777
Incoming transfers	16,627,381	-	-	16,627,381
Total revenues	148,081,519	1,428	17,169,962	165,252,909
EXPENDITURES:				
Current:				
Instruction	80,025,310	-	-	80,025,310
Supporting services	63,756,532	-	-	63,756,532
Food service activities	-	-	7,449,069	7,449,069
Community service activities	852,069	-	-	852,069
Capital outlay	-	285,982	3,904,456	4,190,438

See notes to the financial statements

	<u>General fund</u>	<u>2016 Capital Projects fund</u>	<u>Total nonmajor funds</u>	<u>Total governmental funds</u>
EXPENDITURES (Concluded):				
Debt service:				
Principal payments	\$ -	\$ -	\$ 3,735,000	\$ 3,735,000
Interest	-	-	1,476,350	1,476,350
Bond issuance costs	-	302,317	109,983	412,300
Payment to escrow agent	-	-	155,000	155,000
Other expense	-	-	200	200
Total expenditures	<u>144,633,911</u>	<u>588,299</u>	<u>16,830,058</u>	<u>162,052,268</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,447,608</u>	<u>(586,871)</u>	<u>339,904</u>	<u>3,200,641</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	2,284,579	2,284,579
Proceeds from installment purchase	1,105,386	-	-	1,105,386
Premium on bonds	-	9,698,618	946,509	10,645,127
Proceeds from the sale of bonds	-	55,625,000	6,920,000	62,545,000
Payment to escrow agent	-	-	(7,756,527)	(7,756,527)
Transfers in	411,683	-	669,635	1,081,318
Transfers out	(500,000)	-	(581,318)	(1,081,318)
Total other financing sources (uses)	<u>1,017,069</u>	<u>65,323,618</u>	<u>2,482,878</u>	<u>68,823,565</u>
NET CHANGE IN FUND BALANCES	<u>4,464,677</u>	<u>64,736,747</u>	<u>2,822,782</u>	<u>72,024,206</u>
FUND BALANCES:				
Beginning of year	<u>9,429,169</u>	<u>-</u>	<u>9,318,499</u>	<u>18,747,668</u>
End of year	<u>\$ 13,893,846</u>	<u>\$ 64,736,747</u>	<u>\$ 12,141,281</u>	<u>\$ 90,771,874</u>

See notes to the financial statements

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

Net change in fund balances total governmental funds	\$ 72,024,206
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(4,450,220)
Capital outlay	3,736,072
Unrecovered cost on asset disposal	(6,263,656)
Accrued interest on bonds is recorded in the statement of activities when incurred; it is recorded in governmental funds when it is paid:	
Accrued interest payable, beginning of the year	271,925
Accrued interest payable, end of the year	(257,590)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial sources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums and discounts when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Refunding and new bonds issued	(62,545,000)
Installment purchase	(1,105,386)
Payments on installment purchase	550,218
Payments on debt	3,735,000
Payments to refunded bond escrow	7,911,527
Premium on issuance of bond	(10,645,127)
Amortization of deferred charge on refunding	(77,701)
Amortization of bond premium	491,176
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Unavailable revenue, beginning of the year	(1,205,137)
Unavailable revenue, end of the year	151,319
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and other termination benefits, beginning of the year	3,696,600
Accrued compensated absences and other termination benefits, end of the year	(3,416,088)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	6,285,072
Restricted revenue reported in the governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period:	
State aid funding for pension	(5,643,910)
Change in net position of governmental activities	\$ 3,243,300

**LANSING SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Private purpose trust fund	Agency fund
ASSETS:		
Cash and cash equivalents	\$ 1,555,541	\$ 569,136
Accounts receivable	563	2,101
TOTAL ASSETS	1,556,104	571,237
LIABILITIES:		
Accounts payable	106,633	14,661
Accrued expenses	-	3,257
Due to student groups	-	553,319
TOTAL LIABILITIES	106,633	571,237
NET POSITION:		
Restricted for trust activities	\$ 1,449,471	\$ -

**LANSING SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Private purpose trust fund
ADDITIONS:	
Donations	\$ 79,646
Interest earnings	4,257
Other	61,403
Total additions	145,306
DEDUCTIONS:	
Scholarships awarded	40,481
Other	106,569
Total deductions	147,050
CHANGE IN NET POSITION	(1,744)
NET POSITION:	
Beginning of year	1,451,215
End of year	\$ 1,449,471

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

B. Reporting Entity

The Lansing School District (the “District”) is governed by the Lansing School District Board of Education (the “Board”), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District’s reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

C. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Continued)

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *2016 capital projects fund* includes capital project activities funded with bonds issued after May 1994. For these capital projects, the school district has complied with the applicable provisions of Section 1351a of the Revised School Code.

The following is a summary of the revenue and expenditures for the 2016 capital projects bond activity since inception through the current fiscal year:

	<u>2016 Bond</u>
Revenue and other financing sources	\$ 65,325,046
Expenditures and transfers	\$ 588,299

The above revenue amount includes net bond proceeds of \$65,323,618.

Other Non-major Funds

The *special revenue fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in the special revenue fund.

The *debt service funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the receipt of non-debt proceeds and transfers from the general fund for the acquisition of capital assets or construction of major capital projects.

The capital projects sinking fund accounts for revenue sources that are legally restricted to expenditures for specific purposes. The District has complied with the applicable provisions of section 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The QZAB *debt service fund* accounts for the resources accumulated to make a \$5,000,000 principal payment in fiscal year 2017.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation - Fund Financial Statements (Concluded)

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust funds* account for assets where both the principal and interest may be spent. These funds are used for scholarships and other programs. These funds are not included in the District financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, state and federal aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on pupil membership counts.

The state portion of the Foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exemption (PRE) property and an allocated portion of state sales and other taxes. The local portion of the Foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The state revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30 is reported as an intergovernmental receivable.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Measurement Focus and Basis of Accounting (Concluded)

All other revenue items are generally considered to be measurable and available only when cash is received by the District.

The private-purpose trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The capital projects fund is appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Information (Concluded)

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to year-end June 30, 2016. The District does not consider these amendments to be significant.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaids

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

3. Inventories and prepaids (Concluded)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. During 2016, the District entered into an installment agreement for the purpose of financing the acquisition of a premium 6-year package of textbooks for the District. The total purchase price was \$1,206,000 and the amount financed was \$1,105,386.

4. Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and additions	50
Furniture and other equipment	5 - 20
Land improvements	20
Transportation equipment	8

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Defined benefit plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred outflows/inflows of resources

Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding and pension related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension related items. These amounts are expensed in the plan year in which they apply.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Deferred outflows/inflows of resources (concluded)

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The third is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Concluded)

9. Fund balance policies (Concluded)

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education has by resolution authorized an official or body to which the Board of Education delegates the authority. The board of education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

H. Revenues and Expenditures/Expenses (Concluded)

2. Property taxes (Concluded)

For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund:	
Non-Principal Residence Exemption (PRE)	17.9262
Commercial Personal Property	5.9262
Debt service fund:	
PRE, Non-PRE, Commercial Personal Property	2.4000
Capital projects (sinking fund)	
PRE, Non-PRE. Commercial Personal Property	1.5000

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year in which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

	Fair Value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF + MAX Class	\$ 66,289,816	0.0027	AAAm	90%
MILAF + Cash Mgmt Class	7,007,007	0.0027	AAAm	10%
	<u>\$ 73,296,823</u>			<u>100%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals .0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2016, the fair value of the District’s investments is the same as the value of the pool shares.

MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The District does not allow direct investment in commercial paper or corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, \$20,942,402 of the District's bank balance of \$21,446,402 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount of all deposits is \$19,840,242.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (Concluded)

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 2:

Deposits - including fiduciary funds of \$2,124,677	\$ 19,840,242
Investments	73,296,823
	<u>\$ 93,137,065</u>

The above amounts are reported in the financial statements as follows:

Cash - private purpose trust fund	\$ 1,555,541
Cash - agency fund	569,136
Cash and cash equivalents - restricted QZAB debt service	5,259,723
Cash and cash equivalents - capital projects	65,070,976
Cash and cash equivalents - district-wide	20,681,689
	<u>\$ 93,137,065</u>

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2016 consist of the following:

	<u>Governmental Funds</u>
Other governmental units:	
State aid	\$ 12,882,793
Federal	3,306,919
Other	557,447
	<u>\$ 16,747,159</u>

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

No allowance for doubtful accounts is considered necessary.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	Balance July 1, 2015	Additions	Reclassifications/ Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 4,196,882	\$ -	\$ 368,491	\$ 3,828,391
Construction in progress	331,536	-	331,536	-
Subtotal	<u>4,528,418</u>	<u>-</u>	<u>700,027</u>	<u>3,828,391</u>
Capital assets, being depreciated				
Land improvements	20,824,639	-	1,087,373	19,737,266
Buildings and additions	145,585,484	3,240,055	11,956,270	136,869,269
Machinery and equipment	15,223,643	414,457	848,790	14,789,310
Transportation equipment	1,247,276	413,096	207,453	1,452,919
Subtotal	<u>182,881,042</u>	<u>4,067,608</u>	<u>14,099,886</u>	<u>172,848,764</u>
Accumulated depreciation:				
Land improvements	12,853,942	659,267	853,074	12,660,135
Buildings and additions	74,130,141	2,966,841	6,417,058	70,679,924
Machinery and equipment	12,051,951	776,644	746,303	12,082,292
Transportation equipment	952,785	47,468	188,286	811,967
Subtotal	<u>99,988,819</u>	<u>4,450,220</u>	<u>8,204,721</u>	<u>96,234,318</u>
Total capital assets being depreciated, net	<u>82,892,223</u>	<u>(382,612)</u>	<u>5,895,165</u>	<u>76,614,446</u>
Governmental activities capital assets, net	<u>\$ 87,420,641</u>	<u>\$ (382,612)</u>	<u>\$ 6,595,192</u>	<u>\$ 80,442,837</u>

Depreciation for the fiscal year ended June 30, 2016 amounted to \$4,450,220.

Depreciation expense was charged to programs of the District as follows:

Instruction	\$ 2,386,615
Support service	1,014,724
Food service	14,525
Unallocated	<u>1,034,356</u>
	<u>\$ 4,450,220</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of governmental long-term obligations for the District for the year ended June 30, 2016:

	Self-insured workers' compensation plan	Compensated absences and termination benefits	Note payable	Bonds	Total
Balance, July 1, 2015	\$ 57,045	\$ 3,639,555	\$ -	\$ 45,109,201	\$ 48,805,801
Additions	-	-	1,105,386	73,190,127	74,295,513
Deletions	4,603	275,909	550,218	13,727,151	14,557,881
Balance, June 30, 2016	52,442	3,363,646	555,168	104,572,177	108,543,433
Due within one year	-	900,217	-	11,875,000	12,775,217
Due in more than one year	\$ 52,442	\$ 2,463,429	\$ 555,168	\$ 92,697,177	\$ 95,768,216

Bonds payable at June 30, 2016 is comprised of the following issues:

2016 general obligation refunding bonds due in annual installments of \$75,000 to \$4,585,000 through May 1, 2023, with an interest at 2.00% to 4.00%.	\$ 6,920,000
2016 general obligation bond issuance due in annual installments of \$600,000 to \$3,525,000 through May 1 2041, with an interest at 3.00% to 5.00%.	55,625,000
2012 general obligation refunding bonds due in annual installments of \$2,330,000 to \$4,575,000 through May 1, 2022, with an interest at 5.00%.	23,435,000
2002 QZAB bond due in one installment of \$5,000,000 in September 2016 with interest of 0%.	5,000,000
Plus: premiums on bond issuance (net)	13,592,177
Total general obligation debt	104,572,177
Note payable - textbooks - due in annual installments of \$275,109 to \$280,059 through July 15, 2018, with an interest rate of 0.00%	555,168
Accrued retirement benefits and worker's compensation:	
Obligation for compensated absences and termination benefits	3,363,646
Obligation for workers' compensation claims	52,442
Total debt	\$ 108,543,433

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM DEBT (Concluded)

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account, assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2016, \$15,280,000 of bonds outstanding are considered defeased.

On February 23, 2016, the District issued general obligation bonds of \$6,920,000 with interest rates ranging from 2.00% to 4.00% and made a payment of \$7,911,527 to advance refund a portion of the District's outstanding 2006 refunding bonds with an interest rate of 4.00%. The bonds mature at various times through May 1, 2017. The general obligation bonds were issued at a premium of \$946,509 after paying issuance costs of \$109,983, the net proceeds were \$7,756,527. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$1,039,854, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$925,512.

At June 30, 2016, \$6,153,237 is available to service the general obligation debt. The annual requirements to amortize bonded debt and notes payable outstanding as of June 30, 2016, including interest payments of \$46,093,445 are as follows:

Year ending June 30,	Principal	Interest	Amounts payable
2017	\$ 11,875,000	\$ 3,752,795	\$ 15,627,795
2018	7,240,109	3,851,550	11,091,659
2019	7,635,059	3,532,300	11,167,359
2020	5,085,000	3,166,800	8,251,800
2021	5,275,000	2,915,550	8,190,550
2022 - 2026	15,250,000	11,456,950	26,706,950
2027 - 2031	10,050,000	8,835,000	18,885,000
2032 - 2036	12,800,000	6,063,750	18,863,750
2037 - 2041	16,325,000	2,518,750	18,843,750
	<u>91,535,168</u>	<u>46,093,445</u>	<u>137,628,613</u>
Premium on bond issuance	13,592,177	-	13,592,177
Compensated absences and termination benefits	3,363,646	-	3,363,646
Workers' compensation claims	52,442	-	52,442
	<u>\$ 108,543,433</u>	<u>\$ 46,093,445</u>	<u>\$ 154,636,878</u>

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2016 are as follows:

Receivable fund		Payable fund	
Special revenue fund	\$ 676,819	General fund	\$ 5,621,935
Debt service funds	893,514	Capital projects funds	525,325
Capital projects funds	4,611,658	Debt service funds	32,146
		2016 bond issuance	2,585
	\$ 6,181,991		\$ 6,181,991

The outstanding balances between funds results mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within the year.

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/mpsers-cafr>.

Benefits Provided

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan name</u>	<u>Plan Type</u>	<u>Plan status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax - deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

Final Average Compensation (FAC) - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contributions range from 0% - 7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

March 10, 2015 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - September 30, 2016	14.56% - 18.95%

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$19,104,000, with \$18,368,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (69.45% for pension and 30.55% for OPEB).

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2016, the District reported a liability of \$207,334,790 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was .84886 and .89770 percent.

<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total Pension Liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan Fiduciary Net Position	\$ 41,887,015,147	\$ 43,134,384,072
Net Pension Liability	\$ 24,425,026,755	\$ 22,026,503,110
Proportionate share	0.84886	0.89770
Net Pension liability for the District	\$ 207,334,790	\$ 197,731,925

For the year ended June 30, 2016, the District recognized pension expense of approximately \$6,439,000. This amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2016.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 5,105,022	\$ -
Difference between expected and actual plan investment earnings	-	686,754
Net difference between projected and actual earnings on pension plan investments	1,058,277	-
Changes in proportion and differences between employer contributions and proportionate share	1,992,732	9,109,230
Reporting Unit's contributions subsequent to the measurement date	16,864,000	-
	\$ 25,020,031	\$ 9,795,984

\$16,864,000, reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended Septmeber 30,	Amount
2016	\$ (1,334,111)
2017	(1,334,111)
2018	(1,610,441)
2019	2,638,710

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was **8% (7%** Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment category</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Domestic Equity Pools	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%
International Equity	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%
	<u>100.00%</u>	

* Long term rate of return does not include 2.1% inflation.

Discount rate - The discount rate used to measure the total pension liability was **8% (7%** for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Lower (6.0% - 7.0%)	Discount Rate (8.0% - 7.0%)	1% Higher (9.0% - 8.0%)
Reporting Unit's proportionate share of the net pension liability	\$ 267,307,694	\$ 207,334,790	\$ 156,775,176

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

Payable to the Pension Plan - At year end the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (Concluded)

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Employer Contributions

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the years ended June 30, 2016, 2015 and 2014 were approximately \$7,025,000, \$8,442,000 and \$8,910,000.

NOTE 8 - CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

**LANSING SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - TRANSFERS

The general fund transferred \$500,000 to the capital projects funds, \$411,683 was transferred from the food service fund to the general fund, and \$169,635 was transferred between the debt service funds.

The general fund transfer to the capital projects funds was for future capital acquisitions. The transfer from the food service fund to the general fund was to reimburse indirect cost. The transfer between the debt service funds was a result of the closeout of the 2006 debt service fund and the payment required to be made to the bond escrow to refund the 2006 bonds.

NOTE 10 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in the footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability to raise resources in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Original budget	Final budget	Actual	Variance with final budget
REVENUES:				
Local sources	\$ 23,266,948	\$ 23,013,000	\$ 23,733,631	\$ 720,631
State sources	87,390,101	89,287,000	88,262,641	(1,024,359)
Federal sources	23,299,077	22,710,000	19,457,866	(3,252,134)
Incoming transfers	16,778,224	16,539,000	16,627,381	88,381
Total revenues	<u>150,734,350</u>	<u>151,549,000</u>	<u>148,081,519</u>	<u>(3,467,481)</u>
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	54,802,815	57,533,000	55,795,775	1,737,225
Added needs	27,232,187	24,409,000	23,836,917	572,083
Adult and continuing education	622,426	458,000	392,618	65,382
Total instruction	<u>82,657,428</u>	<u>82,400,000</u>	<u>80,025,310</u>	<u>2,374,690</u>
Supporting services:				
Pupil	14,990,070	15,131,000	14,382,807	748,193
Instructional staff	10,835,555	10,957,000	10,104,288	852,712
General administration	945,788	1,285,000	1,001,354	283,646
School administration	7,332,774	7,622,000	7,318,564	303,436
Business	3,684,167	3,727,000	3,334,670	392,330
Operation and maintenance	13,618,719	13,674,062	13,018,396	655,666
Pupil transportation	9,691,114	9,165,000	8,285,558	879,442
Central	5,029,575	5,285,000	4,612,040	672,960
Other	1,251,045	1,697,938	1,698,855	(917)
Total supporting services	<u>67,378,807</u>	<u>68,544,000</u>	<u>63,756,532</u>	<u>4,787,468</u>
Community service activities	718,323	960,000	852,069	107,931
Total expenditures	<u>150,754,558</u>	<u>151,904,000</u>	<u>144,633,911</u>	<u>7,270,089</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,208)</u>	<u>(355,000)</u>	<u>3,447,608</u>	<u>3,802,608</u>
OTHER FINANCING SOURCES (USES):				
Installment purchase	-	1,105,000	1,105,386	386
Transfers in	330,000	350,000	411,683	61,683
Transfers out	(200,901)	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>129,099</u>	<u>955,000</u>	<u>1,017,069</u>	<u>62,069</u>
NET CHANGE IN FUND BALANCE	<u>\$ 108,891</u>	<u>\$ 600,000</u>	<u>4,464,677</u>	<u>\$ 3,864,677</u>
FUND BALANCE:				
Beginning of year			<u>9,429,169</u>	
End of year			<u>\$ 13,893,846</u>	

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.87886%	0.89770%
Reporting unit's proportionate share of net pension liability	\$ 207,334,790	\$ 197,731,925
Reporting unit's covered-employee payroll	\$ 68,735,453	\$ 76,163,477
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	301.64%	259.62%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**LANSING SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 6/30 OF EACH FISCAL YEAR**

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 18,367,571	\$ 15,524,963
Contributions in relation to statutorily required contributions	<u>18,367,571</u>	<u>15,524,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 66,526,238	\$ 71,678,853
Contributions as a percentage of covered-employee payroll	27.61%	21.66%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

**LANSING SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

ADDITIONAL SUPPLEMENTARY INFORMATION

**LANSING SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2016**

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor funds</u>
ASSETS:				
Cash and cash equivalents	\$ -	\$ 32,146	\$ 1,131,671	\$ 1,163,817
Cash and cash equivalents - restricted				
QZAB debt service	-	5,259,723	-	5,259,723
Accounts receivable	2,062	-	-	2,062
Intergovernmental	360,867	-	-	360,867
Due from other funds	676,819	893,514	4,611,658	6,181,991
Inventories	33,160	-	-	33,160
TOTAL ASSETS	<u>\$ 1,072,908</u>	<u>\$ 6,185,383</u>	<u>\$ 5,743,329</u>	<u>\$ 13,001,620</u>
LIABILITIES:				
Accounts payable	\$ 220,132	\$ -	\$ 15,207	\$ 235,339
Accrued salaries and related items	55,418	-	-	55,418
Accrued retirement	12,111	-	-	12,111
Due to other funds	-	32,146	525,325	557,471
TOTAL LIABILITIES	<u>287,661</u>	<u>32,146</u>	<u>540,532</u>	<u>860,339</u>
FUND BALANCES:				
Nonspendable:				
Inventories	33,160	-	-	33,160
Restricted:				
Debt service	-	6,153,237	-	6,153,237
Capital projects	-	-	793,678	793,678
Food service	752,087	-	-	752,087
Assigned	-	-	4,409,119	4,409,119
TOTAL FUND BALANCES	<u>785,247</u>	<u>6,153,237</u>	<u>5,202,797</u>	<u>12,141,281</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,072,908</u>	<u>\$ 6,185,383</u>	<u>\$ 5,743,329</u>	<u>\$ 13,001,620</u>

**LANSING SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2016**

	<u>Special revenue fund</u>	<u>Debt service funds</u>	<u>Capital projects funds</u>	<u>Total nonmajor funds</u>
REVENUES:				
Local sources:				
Property taxes	\$ -	\$ 5,805,614	\$ 3,548,445	\$ 9,354,059
Investment earnings	-	156,230	2,701	158,931
Food sales	176,902	-	-	176,902
Other	13,726	-	-	13,726
Total local sources	<u>190,628</u>	<u>5,961,844</u>	<u>3,551,146</u>	<u>9,703,618</u>
State sources	241,613	2,820	-	244,433
Federal sources	7,221,911	-	-	7,221,911
Total revenues	<u>7,654,152</u>	<u>5,964,664</u>	<u>3,551,146</u>	<u>17,169,962</u>
EXPENDITURES:				
Current:				
Food service activities	7,449,069	-	-	7,449,069
Capital outlay	-	-	3,904,456	3,904,456
Debt service:				
Principal payments	-	3,735,000	-	3,735,000
Interest on debt	-	1,476,350	-	1,476,350
Bond issuance costs	-	109,983	-	109,983
Payment to escrow agent	-	155,000	-	155,000
Other	-	200	-	200
Total expenditures	<u>7,449,069</u>	<u>5,476,533</u>	<u>3,904,456</u>	<u>16,830,058</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>205,083</u>	<u>488,131</u>	<u>(353,310)</u>	<u>339,904</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	-	-	2,284,579	2,284,579
Premium on bonds	-	946,509	-	946,509
Proceeds from the sale of bonds	-	6,920,000	-	6,920,000
Payment to escrow agent	-	(7,756,527)	-	(7,756,527)
Transfers in	-	169,635	500,000	669,635
Transfers out	(411,683)	(169,635)	-	(581,318)
Total other financing sources (uses)	<u>(411,683)</u>	<u>109,982</u>	<u>2,784,579</u>	<u>2,482,878</u>
NET CHANGE IN FUND BALANCES	<u>(206,600)</u>	<u>598,113</u>	<u>2,431,269</u>	<u>2,822,782</u>
FUND BALANCES:				
Beginning of year	991,847	5,555,124	2,771,528	9,318,499
End of year	<u>\$ 785,247</u>	<u>\$ 6,153,237</u>	<u>\$ 5,202,797</u>	<u>\$ 12,141,281</u>

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	<u>QZAB</u>	<u>2016 Refunding</u>	<u>2006 Refunding</u>	<u>2012 Refunding</u>	<u>Totals</u>
ASSETS:					
Cash and cash equivalents	\$ -	\$ -	\$ 32,146	\$ -	\$ 32,146
Cash and cash equivalents - restricted QZAB debt service	5,259,723	-	-	-	5,259,723
Due from other funds	-	26,995	-	866,519	893,514
TOTAL ASSETS	<u>\$ 5,259,723</u>	<u>\$ 26,995</u>	<u>\$ 32,146</u>	<u>\$ 866,519</u>	<u>\$ 6,185,383</u>
LIABILITIES:					
Due to other funds	\$ -	\$ -	\$ 32,146	\$ -	\$ 32,146
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>32,146</u>	<u>-</u>	<u>32,146</u>
FUND BALANCES:					
Restricted for debt service	5,259,723	26,995	-	866,519	6,153,237
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,259,723</u>	<u>\$ 26,995</u>	<u>\$ 32,146</u>	<u>\$ 866,519</u>	<u>\$ 6,185,383</u>

**LANSING SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

	QZAB	2016 Refunding	2006 Refunding	2012 Refunding	Totals
REVENUES:					
Local sources:					
Current property taxes	\$ -	\$ 12,361	\$ 193,139	\$ 5,600,114	\$ 5,805,614
Interest on investments	156,153	-	77	-	156,230
State sources	-	-	-	2,820	2,820
Total revenues	<u>156,153</u>	<u>12,361</u>	<u>193,216</u>	<u>5,602,934</u>	<u>5,964,664</u>
EXPENDITURES:					
Principal payments	-	-	-	3,735,000	3,735,000
Interest on debt	-	-	155,200	1,321,150	1,476,350
Bond issuance costs	-	109,983	-	-	109,983
Payment to escrow agent	-	155,000	-	-	155,000
Other	-	-	-	200	200
Total expenditures	<u>-</u>	<u>264,983</u>	<u>155,200</u>	<u>5,056,350</u>	<u>5,476,533</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>156,153</u>	<u>(252,622)</u>	<u>38,016</u>	<u>546,584</u>	<u>488,131</u>
OTHER FINANCING SOURCES (USES):					
Premium on bonds	-	946,509	-	-	946,509
Proceeds from the sale of bonds	-	6,920,000	-	-	6,920,000
Payment to escrow agent	-	(7,756,527)	-	-	(7,756,527)
Transfers in	-	169,635	-	-	169,635
Transfers out	-	-	(169,635)	-	(169,635)
Total other financing sources (uses)	<u>-</u>	<u>279,617</u>	<u>(169,635)</u>	<u>-</u>	<u>109,982</u>
NET CHANGE IN FUND BALANCES	<u>156,153</u>	<u>26,995</u>	<u>(131,619)</u>	<u>546,584</u>	<u>598,113</u>
FUND BALANCES:					
Beginning of year	<u>5,103,570</u>	<u>-</u>	<u>131,619</u>	<u>319,935</u>	<u>5,555,124</u>
End of year	<u>\$ 5,259,723</u>	<u>\$ 26,995</u>	<u>\$ -</u>	<u>\$ 866,519</u>	<u>\$ 6,153,237</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	<u>Capital projects</u>	<u>Sinking Fund</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>Sale of Assets Fund</u>	<u>Totals</u>
ASSETS:						
Cash and cash equivalents	\$ -	\$ -	\$ 226,135	\$ 905,536	\$ -	\$ 1,131,671
Due from other funds	153,918	799,849	1,696	-	3,656,195	4,611,658
TOTAL ASSETS	<u>\$ 153,918</u>	<u>\$ 799,849</u>	<u>\$ 227,831</u>	<u>\$ 905,536</u>	<u>\$ 3,656,195</u>	<u>\$ 5,743,329</u>
LIABILITIES:						
Accounts payable	\$ 1,793	\$ 6,171	\$ -	\$ 7,243	\$ -	\$ 15,207
Due to other funds	-	-	-	525,325	-	525,325
Total liabilities	<u>1,793</u>	<u>6,171</u>	<u>-</u>	<u>532,568</u>	<u>-</u>	<u>540,532</u>
FUND BALANCES:						
Restricted for capital projects	-	793,678	-	-	-	793,678
Assigned for capital projects	152,125	-	227,831	372,968	3,656,195	4,409,119
TOTAL FUND BALANCES	<u>152,125</u>	<u>793,678</u>	<u>227,831</u>	<u>372,968</u>	<u>3,656,195</u>	<u>5,202,797</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 153,918</u>	<u>\$ 799,849</u>	<u>\$ 227,831</u>	<u>\$ 905,536</u>	<u>\$ 3,656,195</u>	<u>\$ 5,743,329</u>

**LANSING SCHOOL DISTRICT
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

	<u>Capital projects</u>	<u>Sinking Fund</u>	<u>BTS capital project</u>	<u>Replacement fund</u>	<u>Sale of Assets Fund</u>	<u>Totals</u>
REVENUES:						
Interest on investments	\$ -	\$ -	\$ 540	\$ 2,161	\$ -	\$ 2,701
Current property taxes	-	3,548,445	-	-	-	3,548,445
Total revenues	-	3,548,445	540	2,161	-	3,551,146
EXPENDITURES:						
Capital outlay	342,702	3,208,817	-	352,937	-	3,904,456
Total expenditures	342,702	3,208,817	-	352,937	-	3,904,456
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(342,702)</u>	<u>339,628</u>	<u>540</u>	<u>(350,776)</u>	<u>-</u>	<u>(353,310)</u>
OTHER FINANCING SOURCES:						
Proceeds from sale of capital assets	-	-	-	-	2,284,579	2,284,579
Transfers in	350,000	-	-	150,000	-	500,000
Total other financing sources	350,000	-	-	150,000	2,284,579	2,784,579
NET CHANGE IN FUND BALANCES	7,298	339,628	540	(200,776)	2,284,579	2,431,269
FUND BALANCES:						
Beginning of year	144,827	454,050	227,291	573,744	1,371,616	2,771,528
End of year	<u>\$ 152,125</u>	<u>\$ 793,678</u>	<u>\$ 227,831</u>	<u>\$ 372,968</u>	<u>\$ 3,656,195</u>	<u>\$ 5,202,797</u>

**LANSING SCHOOL DISTRICT
FIDUCIARY FUND TYPES
STATEMENT OF REVENUES, EXPENDITURES
AND NET POSITION - PRIVATE PURPOSE TRUST FUND
YEAR ENDED JUNE 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Revenues and transfers</u>	<u>Expenditures and transfers</u>	<u>Balance June 30, 2016</u>
Donations:				
Library revolving funds	\$ 100,303	\$ 458	\$ -	\$ 100,761
Memorial fund donations	77,545	354	-	77,899
Special education donations	1,432	7	-	1,439
Geraldine M. Curtis Trust	285,422	1,303	-	286,725
RIF	79,089	55,906	68,555	66,440
Stapleton Reading Material Fund	20,908	95	-	21,003
College tour	364	1	-	365
	<u>565,063</u>	<u>58,124</u>	<u>68,555</u>	<u>554,632</u>
Scholarships:				
Harold Norton Award	287	1	-	288
Carl McLean Award	12,551	74	-	12,625
Grabow Scholarship	243	1	-	244
Windfuhr Scholarship	8,579	6	-	8,585
Putnam Scholarship	44,238	161	9,000	35,399
Hinman Award	40,229	37,401	13,481	64,149
Winslow Memorial Fund	7,211	13,174	14,857	5,528
Lett's Scholarship	6,915	32	-	6,947
Elsie A. Maile Award	6,446	7	5,000	1,453
Hebbard Trust	676,784	550	-	677,334
	<u>803,483</u>	<u>51,407</u>	<u>42,338</u>	<u>812,552</u>
Other:				
Spink - Cable	10,406	47	-	10,453
Administration Pepsi Fund	2,535	2,062	2,287	2,310
Physical Plant Pop Fund	6,160	206	28	6,338
Miscellaneous funds	63,568	33,461	33,843	63,186
	<u>82,669</u>	<u>35,776</u>	<u>36,158</u>	<u>82,287</u>
	<u>\$ 1,451,215</u>	<u>\$ 145,307</u>	<u>\$ 147,051</u>	<u>\$ 1,449,471</u>

**LANSING SCHOOL DISTRICT
 FIDUCIARY FUND TYPES
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND LIABILITIES BY SCHOOL - AGENCY FUND
 YEAR ENDED JUNE 30, 2016**

	Balance			Balance
	July 1, 2015	Additions	Deductions	June 30, 2016
Eastern High School	\$ 149,041	\$ 47,908	\$ 61,205	\$ 135,744
Hill Vocational School	10,202	55,920	46,453	19,669
Sexton High School	76,257	20,724	25,698	71,283
Everett High School	88,500	92,389	101,086	79,803
Pattengill Middle School	8,684	13,637	17,386	4,935
Gardner Middle School	55,436	14,927	26,348	44,015
Elementary schools and other	168,328	275,021	245,479	197,870
	<u>\$ 556,448</u>	<u>\$ 520,526</u>	<u>\$ 523,655</u>	<u>\$ 553,319</u>

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2016**

2016 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2017		\$ -	\$ 135,650	\$ 186,896	\$ 322,546
2018		-	135,650	135,650	271,300
2019	2.000%	75,000	135,650	135,650	346,300
2020	2.000%	100,000	134,900	134,900	369,800
2021	2.000%	100,000	133,900	133,900	367,800
2022	4.000%	2,060,000	132,900	132,900	2,325,800
2023	4.000%	4,585,000	91,700	91,700	4,768,400
Total 2016 bonded debt		<u>\$ 6,920,000</u>	<u>\$ 900,350</u>	<u>\$ 951,596</u>	<u>\$ 8,771,946</u>

The above bonds dated February 23, 2016 were issued for the purpose of refunding a portion of the District's 2006 Refunding Bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2016**

Fiscal year	Interest rate	2016 Issuance Bonds			Total due annually
		Principal due May 1	Interest due		
			May 1	November 1	
2017	3.000%	\$ 3,000,000	\$ 1,346,125	\$ 912,374	\$ 5,258,499
2018	4.000%	2,900,000	1,301,125	1,301,125	5,502,250
2019	5.000%	3,075,000	1,243,125	1,243,125	5,561,250
2020	5.000%	600,000	1,166,250	1,166,250	2,932,500
2021	5.000%	600,000	1,151,250	1,151,250	2,902,500
2022	5.000%	650,000	1,136,250	1,136,250	2,922,500
2023	5.000%	675,000	1,120,000	1,120,000	2,915,000
2024	5.000%	1,575,000	1,103,125	1,103,125	3,781,250
2025	5.000%	1,650,000	1,063,750	1,063,750	3,777,500
2026	5.000%	1,725,000	1,022,500	1,022,500	3,770,000
2027	5.000%	1,825,000	979,375	979,375	3,783,750
2028	5.000%	1,925,000	933,750	933,750	3,792,500
2029	5.000%	2,000,000	885,625	885,625	3,771,250
2030	5.000%	2,100,000	835,625	835,625	3,771,250
2031	5.000%	2,200,000	783,125	783,125	3,766,250
2032	5.000%	2,325,000	728,125	728,125	3,781,250
2033	5.000%	2,425,000	670,000	670,000	3,765,000
2034	5.000%	2,550,000	609,375	609,375	3,768,750
2035	5.000%	2,675,000	545,625	545,625	3,766,250
2036	5.000%	2,825,000	478,750	478,750	3,782,500
2037	5.000%	2,975,000	408,125	408,125	3,791,250
2038	5.000%	3,125,000	333,750	333,750	3,792,500
2039	5.000%	3,275,000	255,625	255,625	3,786,250
2040	5.000%	3,425,000	173,750	173,750	3,772,500
2041	5.000%	3,525,000	88,125	88,125	3,701,250
Total 2016 bonded debt		<u>\$55,625,000</u>	<u>\$ 20,362,250</u>	<u>\$ 19,928,499</u>	<u>\$ 95,915,749</u>

The above bonds dated June 29, 2016 were issued for the purpose of remodeling, furnishing and refurbishing and re-equipping school buildings, including security improvements and equipment; erecting, furnishing and equipping additions to school buildings; acquiring and installing instructional technology and instructional technology equipment for school buildings; erecting, developing, improving, furnishing and equipping athletic facilities and fields; and developing and improving playgrounds, play fields, driveways, parking areas and sites; and paying the costs of issuing the Bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2016**

2012 Refunding Bonds

Fiscal year	Interest rate	Principal due May 1	Interest due		Total due annually
			May 1	November 1	
2017	5.000%	\$ 3,875,000	\$ 585,875	\$ 585,875	\$ 5,046,750
2018	5.000%	4,065,000	489,000	489,000	5,043,000
2019	5.000%	4,205,000	387,375	387,375	4,979,750
2020	5.000%	4,385,000	282,250	282,250	4,949,500
2021	5.000%	4,575,000	172,625	172,625	4,920,250
2022	5.000%	2,330,000	58,250	58,250	2,446,500
Total 2012 bonded debt		<u>\$ 23,435,000</u>	<u>\$ 1,975,375</u>	<u>\$ 1,975,375</u>	<u>\$ 27,385,750</u>

The above bonds dated June 20, 2012 were issued for the purpose of refunding a portion of the District's 2004 School Building and Site and Refunding Bonds.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2016**

2002 Qualified Zone Academy Bonds

Fiscal Year year	Interest rate	Principal due September 17
2017	0%	\$ 5,000,000

The above bonds dated September 17, 2002 were issued for the purpose of paying costs of providing energy conservation improvements to school facilities. The amount of the original bond issue was \$5,000,000.

Bonds of this issue are not subject to redemption prior to maturity.

**LANSING SCHOOL DISTRICT
 BONDED DEBT - PRINCIPAL AND INTEREST REQUIREMENTS
 JUNE 30, 2016**

2016 Installment Purchase of Textbooks

Fiscal year	Interest rate	Principal due July 15
2018	0.00%	\$ 275,109
2019	0.00%	280,059
		\$ 555,168
Total 2016 Installment Purchase Debt		

The above installment purchase debt dated November 10, 2015 was issued for the purpose of financing the acquisition of a premium 6-year package of textbooks for the District. The total purchase price was \$1,206,000, and the amount financed was \$1,105,386.

**LANSING SCHOOL DISTRICT
SCHEDULE OF INTEREST BEARING ACCOUNTS
JUNE 30, 2016**

	<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
Money market fund:			
MILAF MAX Class	various	0.00%	\$ 7,007,007
MILAF (PFM) Cash	N/A	0.02%	66,289,816
Bank of New York	N/A	2.93%	<u>5,259,723</u>
Total interest bearing deposits			<u><u>\$ 78,556,546</u></u>

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2015	Current year expenditures	Current year receipts	Accrued 6/30/2016
U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-Cash Assistance (donated foods):								
National School Lunch - Entitlement	10.555	----	\$ 307,417	\$ 361,121	\$ -	\$ 307,417	\$ 307,417	\$ -
Total non-cash assistance			<u>307,417</u>	<u>361,121</u>	<u>-</u>	<u>307,417</u>	<u>307,417</u>	<u>-</u>
Cash Assistance:								
National School Lunch - CACFP	10.555	151920	-	171,916	1,838	-	1,838	-
National School Lunch - Section 4	10.555	151980	-	25,792	276	-	276	-
National School Lunch - Section 11	10.555	151960	-	4,327,826	83,067	-	83,067	-
National School Lunch - CACFP	10.555	161920	152,031	-	-	152,031	147,681	4,350
National School Lunch - Section 4	10.555	161980	15,331	-	-	15,225	15,119	106
National School Lunch - Section 11	10.555	161960	4,537,767	-	-	4,379,585	4,221,401	158,184
			<u>4,705,129</u>	<u>4,525,534</u>	<u>85,181</u>	<u>4,546,841</u>	<u>4,469,382</u>	<u>162,640</u>
Total national school lunch (including non-cash assistance)			<u>5,012,546</u>	<u>4,886,655</u>	<u>85,181</u>	<u>4,854,258</u>	<u>4,776,799</u>	<u>162,640</u>
Summer Food Service	10.559	150900	178,208	54,861	54,861	123,347	178,208	-
Summer Food Service	10.559	151900	61,589	-	-	61,589	-	61,589
			<u>239,797</u>	<u>54,861</u>	<u>54,861</u>	<u>184,936</u>	<u>178,208</u>	<u>61,589</u>
National School Lunch - Breakfast	10.553	151970	2,135,988	2,135,988	56,586	-	56,586	-
National School Lunch - Breakfast	10.553	161970	2,204,617	-	-	2,112,752	2,020,887	91,865
			<u>4,340,605</u>	<u>2,135,988</u>	<u>56,586</u>	<u>2,112,752</u>	<u>2,077,473</u>	<u>91,865</u>
Total cash assistance			<u>9,285,531</u>	<u>6,716,383</u>	<u>196,628</u>	<u>6,844,529</u>	<u>6,725,063</u>	<u>316,094</u>
Total child nutrition cluster			<u>9,592,948</u>	<u>7,077,504</u>	<u>196,628</u>	<u>7,151,946</u>	<u>7,032,480</u>	<u>316,094</u>
Fresh Fruit & Veggie Grant	10.582	150950	69,965	-	-	69,965	65,179	4,786
Fresh Fruit & Veggie Grant	10.582	160950	47,427	47,426	16,197	-	16,197	-
			<u>117,392</u>	<u>47,426</u>	<u>16,197</u>	<u>69,965</u>	<u>81,376</u>	<u>4,786</u>
Passed through Eaton ISD:								
SPLASH	10.561	----	2,845	-	-	1,466	1,466	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>9,713,185</u>	<u>7,124,930</u>	<u>212,825</u>	<u>7,223,377</u>	<u>7,115,322</u>	<u>320,880</u>

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved Award</u>	<u>Prior year expenditures (memorandum only)</u>	<u>Accrued 7/1/2015</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2016</u>
<u>U.S. Department of Education:</u>								
Direct programs:								
Indian Education	84.060A	S060A150962	\$ 28,493	\$ 20,599	\$ 1,219	\$ -	\$ 1,219	\$ -
Indian Education	84.060A	S060A140962	25,501	-	-	22,298	21,248	1,050
			53,994	20,599	1,219	22,298	22,467	1,050
Magnet	84.165A	U165A130051	2,626,344	2,143,793	320,577	482,508	803,127	(42)
Magnet	84.165A	U165A130051	3,376,268	-	-	2,495,280	2,147,802	347,478
Magnet	84.165A	U165A130051	1,118,929	855,640	73,499	263,290	336,789	-
Magnet	84.165A	U165A130051	781,092	-	-	582,544	529,754	52,790
			7,902,633	2,999,433	394,076	3,823,622	3,817,472	400,226
PEACE	84.184M	S184M140063	497,128	320,983	56,490	176,145	232,635	-
PEACE	84.184M	S184M140063	753,019	-	-	503,069	387,896	115,173
PEACE	84.184M	S184M140063	265,944	-	-	130,756	118,026	12,730
			1,516,091	320,983	56,490	809,970	738,557	127,903
Carol M White Physical Education	84.215F	S215F140117	150,141	45,536	17,110	104,604	121,714	-
Carol M White Physical Education	84.215F	S215F140117	431,129	431,129	391	-	391	-
Carol M White Physical Education	84.215F	S215F140117	409,978	-	-	31,486	14,041	17,445
Carol M White Physical Education	84.215F	S215F140117	714,118	-	-	103,568	72,861	30,707
Carol M White Physical Education	84.215F	S215F140117	430,981	68,812	23,247	362,132	385,416	(37)
			2,136,347	545,477	40,748	601,790	594,423	48,115
Passed through Michigan Department of Education:								
ECIA Title I - Regular	84.010	151530/1415	8,808,129	7,024,774	954,368	477,453	1,431,821	-
ECIA Title I - Regular	84.010	161530/1516	8,384,759	-	-	6,896,122	5,605,648	1,290,474
			17,192,888	7,024,774	954,368	7,373,575	7,037,469	1,290,474

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved Award</u>	<u>Prior year expenditures (memorandum only)</u>	<u>Accrued 7/1/2015</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2016</u>
<u>U.S. Department of Education (Continued):</u>								
Passed through Michigan Department of Education (Concluded):								
ECIA Title I - N & D	84.013	151700/1415	\$ 232,004	\$ 182,483	\$ 29,237	\$ 28,475	\$ 57,712	\$ -
ECIA Title I - N & D	84.013	161700/1516	243,395	-	-	172,431	139,620	32,811
			475,399	182,483	29,237	200,906	197,332	32,811
Michigan-Safe and Supportive Schools	84.184	152790/SSS2015	137,993	107,685	7,027	-	7,027	-
Education for Homeless Children and Youth	84.196A	152320/1415	51,180	34,001	4,559	14,423	18,982	-
Education for Homeless Children and Youth	84.196A	162320/1516	43,249	-	-	36,445	32,988	3,457
			94,429	34,001	4,559	50,868	51,970	3,457
Title III Limited English	84.365A	150580/1415	200,842	140,689	7,153	28,408	35,561	-
Title III Limited English	84.365A	160580/1516	202,842	-	-	155,653	152,781	2,872
Title III Immigrant Student	84.365A	150570/1415	182,282	91,366	1,862	24,501	26,363	-
Passed through Okemos Public Schools: Title III Immigrant Student	84.365A	160570	50,850	-	-	29,049	25,633	3,416
			636,816	232,055	9,015	237,611	240,338	6,288
Title II Part A	84.367	150520/1415	2,748,443	2,077,159	321,015	159,282	480,297	-
Title II Part A	84.367	160520/1516	2,083,456	-	-	1,552,506	1,338,055	214,451
			4,831,899	2,077,159	321,015	1,711,788	1,818,352	214,451
Federal Adult English Education Literacy Civics	84.002	161120/165057	34,540	-	-	33,338	25,492	7,846
Federal Adult English Education Literacy Civics	84.002	161130/161057	93,600	-	-	90,804	84,908	5,896
Federal Adult English Education Literacy Civics	84.002	161190/161057	41,351	-	-	26,813	26,109	704
			169,491	-	-	150,955	136,509	14,446
Formula School Improvement Grant	84.377A	141761/1516	1,392,540	-	-	1,011,428	775,272	236,156
Formula School Improvement Grant	84.377A	131761/1415	3,448,670	-	422,239	363,997	786,236	-
Formula School Improvement Grant	84.377A	141761/1516	2,632,200	-	-	1,996,066	1,664,597	331,469
			7,473,410	-	422,239	3,371,491	3,226,105	567,625
Total passed through Michigan Department of Education			31,012,325	9,658,157	1,747,460	13,097,194	12,715,102	2,129,552

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal grantor/pass-through grantor/program title	CFDA Number	Pass-through number	Approved Award	Prior year expenditures (memorandum only)	Accrued 7/1/2015	Current year expenditures	Current year receipts	Accrued 6/30/2016
U.S. Department of Education (Continued):								
Passed through Ingham Intermediate School District:								
Regional Asst IISD	84.010A	-----	\$ 82,425	\$ 28,110	\$ 17,519	\$ -	\$ 17,519	\$ -
Special Education Cluster:								
IDEA Pre-school Development A	84.173A	150460/1415	131,791	-	-	128,840	94,866	33,974
IDEA Pre-school Development A	84.173A	160460/1516	154,202	153,443	23,003	-	23,003	-
Total Special Education Cluster			285,993	153,443	23,003	128,840	117,869	33,974
Total U.S. Department of Education passed through Ingham ISD			368,418	181,553	40,522	128,840	135,388	33,974
Passed through Clinton County RESA:								
Voc Ed Special Needs	84.048A	-----	45,851	33,352	4,218	-	4,218	-
Voc Ed Special Needs	84.048A	-----	52,623	-	-	51,981	46,589	5,392
			98,474	33,352	4,218	51,981	50,807	5,392
Passed through Western Michigan University:								
WMU Aspiring Leaders	84.363A	-----	35,170	11,451	2,285	10,482	12,767	-

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal grantor/pass-through grantor/program title</u>	<u>CFDA Number</u>	<u>Pass-through number</u>	<u>Approved Award</u>	<u>Prior year expenditures (memorandum only)</u>	<u>Accrued 7/1/2015</u>	<u>Current year expenditures</u>	<u>Current year receipts</u>	<u>Accrued 6/30/2016</u>
<u>U.S. Department of Transportation</u>								
Passed through Eaton County RESA								
Safe Routes to School	20.200	----	\$ 32,000	\$ -	\$ -	\$ 17,538	\$ 7,263	\$ 10,275
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			32,000	-	-	17,538	7,263	10,275
<u>Environment Protection Agency</u>								
Passed through Great Lakes Stewardship								
Environment Education Grant	66.951	----	3,098	-	-	3,060	3,098	(38)
TOTAL ENVIRONMENTAL PROTECTION AGENCY			3,098	-	-	3,060	3,098	(38)
<u>U.S. Department of Health and Human Services:</u>								
Passed through Ingham ISD:								
Medicaid Outreach Reimbursement	93.778	----	47,882	82,834	-	47,882	47,882	-
Passed through Eaton County RESA:								
Pregnancy Prevention	93.092	----	37,933	-	-	34,398	21,625	12,773
Pregnancy Prevention	93.092	----	32,832	30,378	4,645	2,611	7,256	-
			70,765	30,378	4,645	37,009	28,881	12,773
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			118,647	113,212	4,645	84,891	76,763	12,773
<u>U.S. Department of Labor:</u>								
WIOA Program Cluster:								
Passed through Capital Area Michigan Works:								
WIOA Youth	17.259	----	862,729	763,712	121,133	-	121,133	-
WIOA Youth	17.259	----	831,359	4,656	4,656	802,063	592,573	214,146
WIOA Youth	17.259	----	16,936	-	-	2,671	-	2,671
TOTAL U.S. DEPARTMENT OF LABOR			1,711,024	768,368	125,789	804,734	713,706	216,817
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 54,701,406	\$ 21,777,515	\$ 2,630,277	\$ 26,679,777	\$ 26,003,135	\$ 3,306,919

The accompanying notes are an integral part of this schedule.

**LANSING SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lansing School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Lansing School District, it is not intended to and does not present the financial position or changes in net position of Lansing School District.
2. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and in OMB Circular A-87, Cost Principles for States, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Lansing School District has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. Management has utilized the Cash Management System (CMS) and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.
4. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 19,457,866
Special revenue fund	7,221,911
	\$ 26,679,777
Federal expenditures on the Schedule of Expenditures of Federal Awards	\$ 26,679,777
5. Program clusters contained within the schedule are as follows:
National School Lunch Cluster consists of CFDA #10.553, #10.555, and #10.559
Special Education Cluster consists of CFDA #84.027 and #84.173A

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Lansing School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lansing School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lansing School District's basic financial statements and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lansing School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lansing School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lansing School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lansing School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manes Costeiran PC

October 12, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Lansing School District

Report on Compliance for Each Major Federal Program

We have audited Lansing School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lansing School District's major federal programs for the year ended June 30, 2016. Lansing School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lansing School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lansing School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lansing School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lansing School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Lansing School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lansing School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lansing School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manes Costeiran PC

October 12, 2016

**LANSING SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? _____ Yes X No

➤ Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings that are required to be reported in accordance with Title 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.184M	PEACE
17.259	WIOA Youth

Dollar threshold used to distinguish between type A and type B \$ 800,393

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**LANSING SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2016**

There were no audit findings in the prior year.

October 12, 2016

To the Board of Education
Lansing School District

In planning and performing our audit of the financial statements of Lansing School District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Lansing School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 12, 2016 on the financial statements of Lansing School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows.

CURRENT YEAR COMMENT

120-Day Audit

For all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after the completion of all projects and the report filed with the Department of Treasury. This requirement is pursuant to Section 1351a(2) of Act 451 of the Public Acts of 1976. The District should contact us upon the completion of the current capital projects.

PRIOR YEAR COMMENTS

Fund balance level of the general fund

At June 30, 2016 the total fund balance of the general fund was \$13,893,846. This represents approximately 9.6% of general fund expenditures. The unassigned fund balance is \$11,423,985, and represents 7.9% of general fund expenditures. Numerous organizations have recommended a minimum fund balance of two months of operating expenditures, or approximately 15%. Given today's economic situation and state funding limitations it is not practical to have a fund balance this size currently at your District.

We do recommend the District plan to increase the fund balance over time (several years) to a more acceptable level approaching 15% of expenditures.

Property Tax Adjustments – repeat comment

Over the past several years there have been unprecedented changes and appeals involving tax assessments. District personnel are aware of this issue but do not always receive all information from various taxing jurisdictions. It is important to have local taxing authorities submit changes to the various counties in order to have accurate information submitted to the Michigan Department of Education in calculating your state aid revenue.

We commend the District on monitoring these changes over the last several years. We recommend the District continue to communicate with all taxing jurisdictions to ensure taxable value changes being used to settle with the county are consistent with reporting forwarded to the Michigan Department of Education.

This report is intended solely for the information and use of Lansing School District, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maney Costeiran PC

October 12, 2016

To the Board of Education
Lansing School District

We have audited the financial statements of Lansing School District for the year ended June 30, 2016, and have issued our report thereon dated October 12, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Lansing School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Lansing School District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Lansing School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lansing School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lansing School District's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lansing School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimates have been used to calculate the net pension liability.

Management's estimate in calculating the liability for employee compensated absences:

We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of the capital assets:

We evaluated the key factors and assumptions used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. In addition, certain amounts included in capital assets have been estimated based on an outside appraisal company.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

We did not identify any sensitive disclosures.

2. *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

4. *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 12, 2016.

6. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. *Other Matters*

We applied certain limited procedures to the required supplementary information (RSI) which are required and supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Education and management of Lansing School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Manes Costeiran PC